



Town of Southern Shores

6 Skyline Road, Southern Shores, North Carolina 27949

Phone 252-261-2394 | Fax 252-255-0876

info@southernshores-nc.gov

www.southernshores-nc.gov

Resolution 2006-02-01

RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF SOUTHERN SHORES, NORTH CAROLINA, ESTABLISHING A POLICY RELATED TO THE UNRESERVED FUND BALANCE

WHEREAS, in order to maintain fiscal responsibility under the Local Government Budget and Fiscal Control Act, the North Carolina Local Government Commission recommends that municipalities maintain a minimum unreserved fund balance of eight percent (8%) in their general fund; and

WHEREAS, an unreserved fund balance is defined as revenue that has not been designated or obligated for any specific purpose and, therefore, can be used for any purpose deemed appropriate by the Town Council; and

WHEREAS, an unreserved fund balance is necessary to ensure that there are sufficient revenues available to meet unanticipated expenses or interruptions or losses of revenues; and

WHEREAS, there are many factors that are used to establish the ideal level of unreserved fund balance to be maintained, including the predictability of revenues and the volatility of expenditures; and

WHEREAS, as a coastal community that is susceptible to extreme weather conditions that can negatively impact revenues and cause significant increases in expenditures, an unreserved fund balance much higher than the minimum eight percent (8%) recommended by the North Carolina Local Government Commission is advisable for the Town of Southern Shores; and

WHEREAS, an unreserved fund balance may be aimed towards a general purpose such as emergency management but still may be used for any purpose deemed appropriate by the Town Council; and

WHEREAS, such unreserved fund balance for emergency management purpose should allow the Town to respond to emergencies, plus continue basic operations for six months until federal or state assistance may become available; and

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF SOUTHERN SHORES, NORTH CAROLINA that the Town Council hereby establishes the following policy related to the unreserved fund balance:

- A. The Town Council shall endeavor to establish and maintain a general fund unreserved fund balance for emergency management purposes equal to fifty percent (50%) of the previous fiscal year's annual operating expenses of the Town; and


- B. In an addition to the emergency management unreserved fund balance, the Town Council shall endeavor to establish and maintain a general fund unreserved balance in the amount of 25% of the previous year's annual operating expenses or \$1 million, whichever is greater.

BE IT FURTHER RESOLVED that the Town Council shall have broad authority to transfer revenue from the unreserved fund balance through a budget amendment approved by the majority of the members of Town Council; however, in general, revenue shall only be transferred from the unreserved fund balance to avoid cash flow interruptions, provide revenue for emergency expenditures and to temporarily replace lost revenues, to provide revenue for unanticipated capital expenditures, and to mitigate against the volatility of the Town's tax base; and

BE IT FURTHER RESOLVED that the Town Council shall strive to attain the minimum amounts within a five (5) year period (fiscal) from the adoption of this resolution and will annually review its progress and take any necessary actions to achieve the goal; and

BE IT FURTHER RESOLVED that, once met, if the unreserved fund balance falls below the minimum percentage for two consecutive fiscal years the Town Council shall take action to replenish the funds through direct appropriation. If direct appropriation is not possible, the Town Council shall reaffirm its commitment to fully replenish the unreserved fund balance over a longer period of time.

Adopted this 7th day of March, 2006.



Mayor Don Smith

ATTEST:



Carrie Gordin, Town Clerk

SEAL

